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News Release

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Webster man pleads guilty to bilking more than \$7 million from mortgage lenders

A 27-year-old Webster man pleaded guilty today in federal court to bilking more than \$7 million from at least 15 real estate mortgage lending companies between 2005 and 2008. Appearing before United States District Court Judge Richard Kyle in St. Paul, Dustin LaFavre pleaded guilty to one count of conspiracy to commit mail and wire fraud in connection with this crime. LaFavre was charged on November 5, 2009.

In his plea agreement, LaFavre admitted he conspired with a licensed real estate broker, identified as "Individual 1," to defraud the mortgage lenders. Specifically, he and individual 1 solicited real estate buyers by telling them they would receive significant cash from the proceeds of the mortgage loans. With the assistance of Individual 1, LaFavre then negotiated the value of single pieces of property as well as property groupings, known as bulk purchases, in an effort to inflate the sale prices of that real estate. Those inflated prices were reported to and ultimately approved by lenders. Then, after transaction closings, LaFavre and Individual 1 divided among themselves and the buyers the difference between the inflated sale prices and the true sales prices.

In addition, LaFavre helped buyers qualify for their mortgage loans by creating false verifications of employment, depositing money into their bank accounts to make their balances appear higher, providing them with down payments, and working with mortgage brokers and loan officers who were willing to prepare false documentation for submission to lenders.

LaFavre and Individual 1 sold at least 172 properties during the course of this scheme. In furtherance of the scheme, LaFavre sent false documents via the U.S. Mail as well as commercial carriers. He also caused wire transfers of mortgage loan proceeds from which he and others obtained cash kickbacks.

LaFavre faces a potential maximum penalty of 20 years in prison for his crime. Judge Kyle will determine his sentence at a future date. This case is the result of an investigation by the Federal Bureau of Investigation and the U.S. Postal Inspection Service. It is being prosecuted by Assistant U.S. Attorney Tracy L. Perzel.